

**Financial Services Committee
Financial Infrastructure of Global Terrorism
Congressman Doug Bereuter
October 3, 2001**

Chairman Oxley and Ranking Member LaFalce, I would like to thank you for conducting this important hearing on the Financial Infrastructure of Global Terrorism. In advance, I also would like to thank Secretary O'Neill and the other witnesses for their testimony.

The September 11th terrorist attacks on the World Trade Center and the Pentagon illustrate the extensive financial infrastructure which can be associated with terrorism. As has been well documented in the press, Osama Bin Laden and his organization, Al Qaeda, are the prime suspects in this horrific tragedy. As both the Vice Chairman of the House Intelligence Committee and as the House Intelligence Subcommittee Chair of Intelligence Policy and National Security, I have been actively studying the details surrounding the tragic events of September 11th.

Therefore, I would like to focus on the following two specific aspects of the fight against the financial infrastructure of terrorism: (1) the Financial Action Task Force on Money Laundering; and (2) informal banking systems used by terrorists such as the South Asian "hawala" system.

First, the importance of the international Financial Action Task Force on Money Laundering, of which the United States is a member, should be emphasized. This task force, which is associated with the Organization for Economic Cooperation and Development (OECD), actually identifies non-cooperative countries or territories in the fight against international money laundering.

In fact, every February since 1985 I have visited the OECD's headquarters in Paris as a member of the House of Representative's delegation to the NATO Parliamentary Assembly (NATO PA) and have led a delegation of House Members to this meeting between the NATO PA's Economic Committee and the OECD each year since 1996. As such, the House NATO PA delegation has been following the substantial efforts of the Financial Action Task Force on Money Laundering throughout its establishment.

In February of 2000, the U.S. delegation to the NATO PA learned that there were efforts to suppress the names of non-cooperative jurisdictions with money laundering laws. As a result, the distinguished lady from New Jersey (Representative Marge Roukema), a member of the House NATO PA delegation and then Chairwoman of the Financial Institutions of the House Banking Committee, at my urging introduced H.Res. 495 in the 106th Congress, which was cosponsored by me and seven key Members of the House delegation to the NATO PA on a bipartisan basis. This House Resolution, which was approved on the House Floor on June 19, 2000, stated that the U.S. should support the public release of the list naming noncooperative jurisdictions identified by the Financial Action Task Force on Money Laundering.

Three days after H.Res. 495 was passed by the House, the Financial Action Task Force on Money Laundering released its report identifying the non-cooperative jurisdictions with money laundering laws. The following jurisdictions were identified in this report as being non-cooperative with respect to money laundering laws: Bahamas, the Cayman Islands, the Cook Islands, Dominica, Israel, Lebanon, Liechtenstein, the Marshall Islands, Nauru, Niue, Panama, Phillippines, Russia, St. Kitts and Nevis, and St. Vincent and the Grenadines.

Moreover, on June 22, 2001, the Financial Action Task Force on Money Laundering issued another report which, among other things, listed the following jurisdictions as having addressed deficiencies in money laundering laws identified by the Financial Action Task Force on Money Laundering and thereby are no longer considered non-cooperative: Bahamas, Cayman Islands, Liechtenstein, and Panama. In addition, the following jurisdictions were listed in this report as having made progress in enacting legislation to address deficiencies in money laundering laws: Cook Islands, Dominica, Israel, Lebanon, Marshall Islands, St. Kitts and Nevis, St. Vincent and the Grenadines, and Niue. This 2001 report illustrates the positive effect that the Financial Action Task Force on Money Laundering is having on combating money laundering.

Therefore, I would encourage the United States to continue to emphasize the importance of the efforts of the Financial Action Task Force to combat money laundering. In fact, I recently sent a letter to Secretary O'Neill stressing the importance of the Financial Action Task Force on Money Laundering. I would like to thank Secretary O'Neill for his prompt response which emphasized the support of the Department of Treasury for the productive efforts of this task force.

Second, the U.S. also needs to combat the informal money laundering efforts which are being conducted through systems such as "Hawala." Many terrorism experts believe that a share of terrorist financing is conducted through an ancient South Asian money exchange system called "Hawala." Hawala is an underground network of financiers who acquire funds in one country and subsequently have a partner in a different country pay a certain amount per recipient. In this case, no transaction records are kept with no funds crossing any borders. It is vital that the U.S. money laundering strategy also consider how to combat these informal banking systems.

In conclusion, I am looking forward to the hearing today and playing a constructive role in combating the financial infrastructure of global terrorism.